



UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019 & 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements of Argentum Silver Corporation (the "Company") are the responsibility of the management and Board of Directors of the Company.

The unaudited interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

“Gary Nassif” (signed)

Chief Executive Officer

“James Fairbairn” (signed)

Chief Financial Officer

NOTICE TO READER

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim statements for the three months ended September 30, 2019 and 2018 have not been reviewed by the Company's auditors.

ARGENTUM SILVER CORP.
Unaudited Interim Statements of Financial Position
(Expressed in Canadian dollars)

<i>As at,</i>	<i>September 30,</i> <i>2019</i>	<i>June 30,</i> <i>2019</i>
	\$	\$
ASSETS		
Current		
Cash and cash equivalents (Note 4)	1,603,653	45,152
Trade and other receivables (Note 5)	22,259	14,089
Prepaid expenses and deposits (Note 7)	3,780	5,000
Promissory note receivable (Note 12)	100,370	99,000
Total current assets	1,730,062	163,241
Reclamation deposits (Note 13)	15,000	-
Total assets	1,745,062	163,241
LIABILITIES AND EQUITY		
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 6 and 8)	92,975	88,593
Total liabilities	92,975	88,593
EQUITY		
Share capital (Note 9)	11,618,305	9,968,305
Reserves (Note 9)	1,323,592	1,323,592
Accumulated deficit	(11,289,810)	(11,217,249)
Total equity	1,652,087	74,648
Total liabilities and equity	1,745,062	163,241

Nature of Operations and Going Concern (Note 1)
Commitments and Contingencies (Note 10)

Approved on behalf of the Board of Directors on November 28, 2019:

“Albert Contardi” (signed)

Director

“Gary Nassif” (signed)

Director

The accompanying notes are an integral part of these unaudited interim financial statements.

ARGENTUM SILVER CORP.
Unaudited Interim Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	2019	2018
For the three months ended September 30,	\$	\$
Management and consulting fees (Note 8)	33,750	33,750
Exploration and evaluation expenditures (Note 7)	26,350	447,857
Share based payments (Notes 8 and 9)	-	297,000
Office, general and administration	2,888	8,401
Professional fees	9,370	8,586
Shareholder communication	1,651	3,445
	(74,009)	(799,039)
Interest income	1,370	109
Foreign exchange gain (loss)	78	(127)
Net loss and comprehensive loss	(72,561)	(799,057)
Loss per share - basic and diluted	(0.00)	(0.03)
Weighted average number of common shares - basic and diluted (000's)	36,993	29,831

The accompanying notes are an integral part of these unaudited interim financial statements

ARGENTUM SILVER CORP.
Unaudited Interim Statements of Changes in Equity
(Expressed in Canadian dollars)

	Share Capital				
	Number of shares	Amount	Reserves	Accumulated Deficit	Total
Balance at June 30, 2018	28,890,765	\$ 9,615,805	\$ 1,091,392	\$ (10,388,525)	\$ 318,672
Exercise of broker warrants	360,000	25,200	-	-	25,200
Transfer of reserve on exercise of broker warrants	-	64,800	(64,800)	-	-
Shares issued for property	1,250,000	262,500	-	-	262,500
Share based payments	-	-	297,000	-	297,000
Net income for the period	-	-	-	(799,057)	(799,057)
Balance at September 30, 2018	30,500,765	\$ 9,968,305	\$ 1,323,592	\$ (11,187,582)	\$ 104,315
Net loss for the period	-	-	-	(29,667)	(29,667)
Balance at June 30, 2019	30,500,765	\$ 9,968,305	\$ 1,323,592	\$ (11,217,249)	\$ 74,648
Exercise of warrants	15,000,000	1,650,000	-	-	1,650,000
Net loss for the period	-	-	-	(72,561)	(72,561)
Balance at September 30, 2019	45,500,765	\$ 11,618,305	\$ 1,323,592	\$ (11,289,810)	\$ 1,652,087

The accompanying notes are an integral part of these unaudited interim financial statements

ARGENTUM SILVER CORP.**Unaudited Interim Statements of Cash Flows**

(Expressed in Canadian dollars)

	2019	2018
For the three months ended September 30,	\$	\$
Operating activities		
Net loss for the period	(72,561)	(799,057)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Share based payments	-	297,000
Shares issued for property	-	262,500
Change in non-cash working capital		
Trade and other receivables	(8,170)	(315)
Prepaid expenses and deposits	1,220	100,428
Accounts payable and accrued liabilities	4,382	9,791
Cash used in operating activities	(75,129)	(129,653)
Financing activities		
Issuance of share capital, net of costs	1,650,000	25,200
Cash provided from financing activities	1,650,000	25,200
Investing activities		
Interest on promissory note issued	(1,370)	-
Reclamation deposits	(15,000)	-
Cash provided from financing activities	(16,370)	-
Increase (decrease) in cash and cash equivalents	1,558,501	(104,453)
Cash and cash equivalents, beginning of period	45,152	382,944
Cash and cash equivalents, end of period (Note 5)	1,603,653	278,491
Supplementary Information		
Non-cash financing activities		
Shares issued for property	-	262,500
Interest paid	-	-
Income tax paid	-	-

The accompanying notes are an integral part of these unaudited interim financial statements

ARGENTUM SILVER CORP.
Notes to the Unaudited Interim Financial Statements
For the three months ended September 30, 2019 and 2018
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Argentum Silver Corp. (“Argentum”, the “Company”) was incorporated as Silex Ventures Ltd. under the Business Corporations Act (*British Columbia*) on March 21, 2007. Argentum engages in the acquisition, exploration and development of mineral properties. The Company is in the exploration stage and has not yet determined whether any of its properties contain economically recoverable ore reserves.

The Company’s head office and principal place of business is Suite 401 - 217 Queen Street West, Toronto, ON, M5V 0R2.

Its principal business activity is mineral exploration and evaluation in Canada (see Note 7).

As at September 30, 2019, the Company had a working capital of \$1,637,087 (June 30, 2019 - \$74,648), had not yet achieved profitable operations, had accumulated deficit of \$11,289,810 (June 30, 2019 - \$11,217,249) and expects to incur further losses in the development of its business.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, and the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis, all of which are uncertain. Failure to achieve the above could have a significant impact on the Company’s ability to continue as a going concern.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and evaluation activities, and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, non-compliance with regulatory requirements or aboriginal land claims.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes that the Company will be able to meet its obligations. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At September 30, 2019, the Company had no source of operating revenues, had not yet achieved profitable operations, expects to incur further losses in the development of its business, all of which casts significant doubt about the Company’s ability to continue as a going concern.

ARGENTUM SILVER CORP.
Notes to the Unaudited Interim Financial Statements
For the three months ended September 30, 2019 and 2018
(Expressed in Canadian dollars)

2. BASIS OF PREPARATION

2.1 Statement of compliance and presentation

These unaudited interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These unaudited interim financial statements were authorized by the Board of Directors of the Company on November 28, 2019.

2.2 Basis of measurement

These unaudited interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company’s June 30, 2019 annual financial statements.

2.3 Future accounting policies and standards adopted

Adoption of New Standards

The Company has adopted the following new standards, along with any consequential amendments, effective July 1, 2019. These changes were made in accordance with the applicable transitional provisions.

IFRS 16 *Leases* (“IFRS 16”), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12-months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15.

There was no impact on the Company’s financial statements upon adoption of these standards.

2.4 Use of management estimates, judgments and measurement uncertainty

The preparation of these financial statements using accounting policies consistent with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as at the date of the financial statements. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses.

Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to valuation of decommissioning provision and deferred income tax amounts and the calculation of share-based payments, and fair value of warrants. Significant estimates and judgments made by management in the preparation of these financial statements are outlined below:

ARGENTUM SILVER CORP.
Notes to the Unaudited Interim Financial Statements
For the three months ended September 30, 2019 and 2018
(Expressed in Canadian dollars)

2. BASIS OF PREPARATION (continued)

2.4 Use of management estimates, judgments and measurement uncertainty (continued)

Going concern assumption

Going concern presentation of the financial statements assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

Income taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Decommissioning provisions

These are made based on the estimated settlement amounts. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed quarterly and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions on a quarterly basis. Actual rehabilitation costs will ultimately depend on actual future settlement amount for the rehabilitation costs which will reflect the market condition at the time that the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

Functional currency

The Company's management is required to make judgments as to the currency of the primary economic environment in which an entity operates to determine the functional currency of the entity. The Company has determined that the functional currency of the Company is the Canadian dollar.

Calculation of share-based payments and fair value of warrants

The Black-Scholes option pricing model is used to determine the fair value for share-based payments and warrants and utilizes subjective assumptions such as expected price volatility and expected life of the option or warrant. Discrepancies in these input assumptions can significantly affect the fair value estimate.

ARGENTUM SILVER CORP.
Notes to the Unaudited Interim Financial Statements
For the three months ended September 30, 2019 and 2018
(Expressed in Canadian dollars)

3. FINANCIAL RISK FACTORS

Credit Risk

The Company's credit risk is primarily attributable to cash and cash equivalents and promissory note receivable. The Company has no significant concentration of credit risk arising from operations. The Company's current policy is to invest excess cash in interest bearing deposits issued by its banking institutions. The Company's maximum exposure to credit risk as at September 30, 2019, is the carrying value of cash and cash equivalents, and trade and other receivables and promissory note receivable. The majority of the Company's cash and cash equivalents is held in Canadian chartered banks.

Market Risk

Foreign Currency Risk

The Company's exploration and evaluation activities are in Canadian dollars. The Company's funds are predominantly kept in Canadian dollars, with a major Canadian financial institution. The Company has minimum foreign currency risk.

Fair Value

The carrying value of cash and cash equivalents, trade and other receivables, promissory note receivable and accounts payable and accrued liabilities approximates fair value due to their short-term nature.

The fair value hierarchy has the following levels:

- Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level two includes inputs that are observable other than quoted prices included in level one.
- Level three includes inputs that are not based on observable market data.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2019, the Company had current assets of \$1,730,062 (June 30, 2019 – \$163,241) and current liabilities of \$92,975 (June 30, 2019 – \$88,593). The Company's accounts payable and accrued liabilities and receivables are subject to normal trade terms. As at September 30, 2019, the Company had working capital of \$1,637,087 (June 30, 2019 – \$74,648 working capital).

Interest Rate Risk

The Company is not exposed to interest rate risk due to the short-term nature of its financial instruments.

ARGENTUM SILVER CORP.
Notes to the Unaudited Interim Financial Statements
For the three months ended September 30, 2019 and 2018
(Expressed in Canadian dollars)

4. CASH AND CASH EQUIVALENTS

The balance at September 30, 2019 consists of cash on deposit with a Canadian bank in general interest-bearing accounts totaling \$1,603,653 (June 30, 2019 – \$45,152 cash) and cashable guaranteed investment certificates with a major Canadian bank of \$nil (June 30, 2019 – \$nil) for total cash and cash equivalents of \$1,603,653 (June 30, 2019 – \$45,152).

5. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables arise from government and harmonized sales tax ("GST/HST") due from the Canadian government.

	As at,	
	September 30, 2019	June 30, 2019
GST/HST receivable	\$ 22,259	\$ 14,089
Total trade and other receivables	\$ 22,259	\$ 14,089

The GST/HST receivable is not past due as at September 30, 2019 and June 30, 2019.

At September 30, 2019, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities of the Company consist of the following:

	As at,	
	September 30, 2019	June 30, 2019
Accounts payables	\$ 77,275	\$ 70,893
Accrued liabilities	15,700	17,700
Total accounts payable and accrued liabilities	\$ 92,975	\$ 88,593

Trade payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating and financing activities. The usual credit period allowed for trade purchases is between 30 to 90 days.

ARGENTUM SILVER CORP.
Notes to the Unaudited Interim Financial Statements
For the three months ended September 30, 2019 and 2018
(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION EXPENDITURES

The exploration and evaluation expenses for the Company are summarized as follows:

Three months ended September 30,	2019	2018
Vanadium Ridge Project	\$ 2,000	\$ 447,857
Cochavara Project (Note 12)	24,350	-
Exploration and evaluation expenditures	\$ 26,350	\$ 447,857

Exploration and evaluation asset expenditures during the three months ended September 30, 2019 and 2018, by nature are detailed as follows:

Three months ended September 30,	2019	2018
	\$	\$
Acquisition costs	-	412,500
Consulting	26,350	25,800
Field expenses	-	9,557
Total	26,350	447,857

Vanadium Ridge Project – British Columbia

On July 2, 2018, the Company entered into a mining claim acquisition agreement (the “Agreement”) with Lithium Energy Products Inc. (the “Vendor”) pursuant to which the Company agreed to purchase 80% of the Vendor's right, title and interest in the Vanadium Ridge Property (the “Property”).

Pursuant to the terms of the Agreement, the Company agreed to purchase the interest in the Property, in exchange for the payment of \$150,000 (paid) and the issuance of 1,250,000 common shares (issued with a value of \$262,500 at a price of \$0.21 per share) of the Company to the Vendor on the date the TSX Venture Exchange granted approval of the transaction (July 26, 2018).

The Vanadium Ridge Project is located at the southern end of the Quesnel Trough approximately 50 km north of Kamloops, British Columbia. The property consists of 20 mining claims covering 2,151 hectares near the town of Barriere.

ARGENTUM SILVER CORP.
Notes to the Unaudited Interim Financial Statements
For the three months ended September 30, 2019 and 2018
(Expressed in Canadian dollars)

8. RELATED PARTY DISCLOSURES

Certain corporate entities and consultants that are related to the Company's officers and directors provide consulting and other services to Argentum. All transactions were conducted in the normal course of operations and are measured as follows:

As at,	September 30, 2019	June 30, 2019
Amount included in trade and other payables, due to companies controlled by directors and/or officers	\$ 42,000	\$ 49,000

Amounts due to companies controlled by directors and officers are unsecured, non-interest bearing and have no set terms of repayment.

Compensation of Key Management Personnel

Transactions during the three months ended September 30, Balances:	2019	2018
Short-term benefits	\$ 34,000	\$ 34,000
Share based compensation	-	207,000
Total compensation paid to key management	\$ 34,000	\$ 241,000

9. SHARE CAPITAL

Argentum's authorized share capital consists of an unlimited number of common shares and with no par value.

The issued and outstanding common shares are as follows:

	Number of Shares	Stated Value
Balance, June 30, 2018	28,890,765	\$ 9,615,805
Exercise of broker warrants	360,000	25,200
Transfer of fair value on exercise of broker warrants	-	64,800
Shares issued for property (Note 8)	1,250,000	262,500
Balance, June 30, 2019	30,500,765	\$ 9,968,305
Exercise of warrants	15,000,000	1,650,000
Balance, September 30, 2019	45,500,765	\$ 11,618,305

Activity during the three-month period ended September 30, 2019:

During the three-month period ended September 30, 2019, 15,000,000 warrants exercisable at \$0.11 set to expire on September 2, 2019 were exercised for gross proceeds of \$1,650,000.

Activity during the year ended June 30, 2019:

During the year ended June 30, 2019, 1,250,000 shares with a value of \$262,500 were issued pursuant to the Vanadium Ridge Property agreement described in note 7.

ARGENTUM SILVER CORP.
Notes to the Unaudited Interim Financial Statements
For the three months ended September 30, 2019 and 2018
(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

Reserves

Reserves comprise the cost of shares cancelled for no consideration and the fair value of stock option grants and broker warrants prior to exercise.

Share-Based Payments

The Company has a rolling stock option plan (the “Plan”) under which it is authorized to grant options to directors, officers, consultants and employees of the Company. The number of options granted under the Plan is limited to 10% in the aggregate of the number of issued and outstanding common shares of the Company at the date of the grant of the options. The exercise price of options granted under the Plan may not be less than the closing price of the Company’s common shares on the TSX-V on the trading day immediately before the date the options are granted, less the discount permitted under the TSX-V’s policies, subject to a minimum exercise price of \$0.10. Options granted under the Plan have a maximum life of ten years and vest according to conditions set by the Company’s board of directors at the time the options are granted.

As at September 30, 2019, the Company had 2,900,076 (June 30, 2019 – 1,400,077) options available for issuance under the Plan.

A summary of stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price \$
June 30, 2018	-	-
Granted (i)	1,650,000	0.24
June 30, 2019 and September 30, 2019	1,650,000	0.24

- (i) On July 11, 2018, the Company granted 1,650,000 options to certain officers, directors and consultants of the Company under its stock option plan. All options are exercisable at \$0.24 per common share and expire in 5 years. The resulting fair value of \$297,000 was estimated using the Black-Scholes option pricing model with the following assumptions: share price on grant date of \$0.24, expected dividend yield of 0%; expected annualized volatility of 100% based on the volatility of companies in the same industry with similar size and transactions; a risk-free interest rate of 2.07%, and an expected average life of 5 years. The options vested immediately.

Options to purchase common shares carry exercise prices and terms to maturity as follows:

Exercise price ⁽ⁱ⁾	Number of options		Expiry	Remaining
Outstanding	Outstanding	Exercisable	date	contractual life (years) ⁽ⁱ⁾
\$				
0.24	1,650,000	1,650,000	July 11, 2023	3.78
0.24	1,650,000	1,650,000		3.78

(i) Total represents weighted average.

ARGENTUM SILVER CORP.
Notes to the Unaudited Interim Financial Statements
For the three months ended September 30, 2019 and 2018
(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

Share Purchase Warrants

A summary of share purchase warrants activity is as follows:

	Number of Warrants	Weighted Average Exercise Price \$
June 30, 2018 and June 30, 2019	18,680,000	0.11
Exercise of warrants	(15,000,000)	0.11
September 30, 2019	3,680,000	0.10

As at September 30, 2019, the following share purchase warrants are outstanding:

Number of Warrants	Exercise Price \$	Expiry Date
2,680,000	0.10	October 23, 2020
1,000,000	0.10	November 20, 2020
3,680,000		

Broker Warrants

	Number of Broker Warrants	Weighted Average Exercise Price \$
June 30, 2018	360,000	0.07
Exercised	(360,000)	0.07
June 30, 2019 and September 30, 2019	-	-

ARGENTUM SILVER CORP.
Notes to the Unaudited Interim Financial Statements
For the three months ended September 30, 2019 and 2018
(Expressed in Canadian dollars)

10. COMMITMENTS AND CONTINGENCIES

The Company's activities are subject to environmental regulation (including regular environmental impact assessments and permitting) in the jurisdiction in which its mineral properties are located. Such regulations cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour relations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. It is likely that environmental legislation and permitting will evolve in a manner which will require stricter standards and enforcement. This may include increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a higher degree of responsibility for companies, their directors and employees.

The Company has not determined and is not aware whether any provision for such costs is required and is unable to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form that these laws and regulations may take.

11. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and evaluation of mineral properties. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include all components of shareholders' equity. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three-month period ended September 30, 2019.

The Company considers its capital to be equity, which is comprised of share capital, reserves and accumulated deficit, which as at September 30, 2019 totaled \$1,652,087 (June 30, 2019 – \$74,648).

The Company's objective when managing capital is to obtain adequate levels of funding to support its exploration activities, to obtain corporate and administrative functions necessary to support organizational functioning and to obtain sufficient funding to further the identification of mineral deposits.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

The Company invests all capital that is surplus to its immediate operational needs in interest bearing accounts with a Canadian financial institution.

ARGENTUM SILVER CORP.
Notes to the Unaudited Interim Financial Statements
For the three months ended September 30, 2019 and 2018
(Expressed in Canadian dollars)

12. PROPOSED TRANSACTION

On May 28, 2019, the Company signed a definitive agreement dated May 27, 2019 (the “Agreement”) with Norsemont II Resources Inc. (“Norsemont”), a private British Columbia company. Norsemont owns a 100% interest in the Cochavara Silver-Lead-Zinc Project (the “Cochavara Project”) in Northern Peru.

Pursuant to the terms of the Agreement, Argentum will acquire all the issued and outstanding securities of Norsemont in exchange for common shares in the capital of Argentum (the “Proposed Transaction”). The Proposed Transaction contemplated by the Agreement is a related party transaction. Argentum will acquire all the issued and outstanding securities of Norsemont in exchange for 2,777,778 common shares in the capital of Argentum. In addition, holders of convertible securities of Norsemont will receive 400,000 common share purchase warrants of Argentum, each warrant entitling the holder thereof to acquire a common share at an exercise price of \$0.50 per common share on or before the date that is three years following the closing of the Proposed Transaction.

Following completion of the Proposed Transaction, Argentum will provide the ongoing management team for the Company and the shareholders of Norsemont will be entitled to have one nominee appointed to the board of directors of Argentum. Completion of the Proposed Transaction is subject to several conditions, including TSX Venture Exchange (“TSXV”) final acceptance, completion of due diligence, board and minority shareholder approval, if necessary. Prior to the closing of the Proposed Transaction, Argentum shall, subject to TSXV approval, advance \$100,000 to Norsemont (\$99,000 advanced). The advance shall bear interest at a rate of 5% per annum and be repayable on demand. Norsemont has agreed to pledge its shares in Norsemont II Resources S.A.C. as general and continuing collateral security for the advance.

During the three-month period ended September 30, 2019, the Company recognized \$1,370 in interest income related to the promissory, bringing the balance to \$100,370 (June 30, 2019 - \$99,000).

13. RECLAMATION DEPOSITS

The Company is required to make reclamation deposits in respect of its expected site reclamation and closure obligations. The reclamation deposits represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company. As at September 30, 2019 no reclamation liability exists.